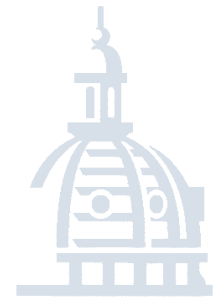


Fiscal Note

Fiscal Services Division



SF 389 – Health Care Omnibus II (LSB1747SV.S3296)

Analyst: Jess Benson (Phone: 515-281-4611) (jess.benson@legis.state.ia.us)

Deborah Helsen (Phone: 515-281-6764) (deborah.helsen@legis.state.ia.us)

Joe Brandstatter (Phone: 515-725-2062) (joseph.brandstatter@legis.state.ia.us)

Fiscal Note Version – As amended by S-3296 (House amendment)

Description

Senate File 389, as amended by **S-3296** (House amendment), creates the Legislative Health Care Coverage Commission to consider options for health care coverage for lowans, exempts the value of health insurance from State income tax for dependents between the ages of 18 and 25, provides health insurance coverage for all children up to 300.0% of federal poverty level, adds health care provider offices to the existing list of eligible entities under the Volunteer Health Care Provider Program (VHCPP) under the Department of Public Health, establishes the Health Care Workforce Shortage Fund under the Department of Public Health and implements provisions related to transparency and gifts to health professionals.

Total Fiscal Impact

The total fiscal impact of Senate File 389, as amended by S-3296, is an estimated General Fund cost of \$7.9 million for FY 2010 and \$22.0 million for FY 2011. Assumptions and fiscal impact by Division are discussed below.

Senate File 389	FY 2010	FY 2011
Division I - Iowa Choice Health Care Coverage Council		
Studies	\$ 125,000	\$ 125,000
Personal Services (1.00 FTE position)	90,300	93,000
Administrative Support	100,000	100,000
	<u>\$ 315,300</u>	<u>\$ 318,000</u>
Division II - Insurance Coverage		
Tax Changes	\$ 314,000	\$ 314,000
Division III - Covering Children		
Covering Children	\$5,723,169	\$18,793,757
Personnel Services (17.00 FTE positions)	605,596	635,876
Supplemental Dental	510,249	1,449,624
Interpreter Services	237,173	267,360
	<u>\$7,076,187</u>	<u>\$21,146,617</u>
Division IV - Volunteer Health Care Providers		
Personnel Services (0.25 FTE position)	\$ 20,000	\$ 20,000
Division V - Health Care Workforce Support Initiative		
Personnel Services (2.00 FTE positions)	\$ 177,000	\$ 177,000
Division VI - Gifts -- Reporting of Sanctions		
No impact	\$ -	\$ -
Division VII - Health Care Transparency		
No impact	\$ -	\$ -
Total	<u>\$7,902,487</u>	<u>\$21,975,617</u>
Total FTE positions	20.25	20.25

Assumptions and Fiscal Impact by Division

Division I creates the Legislative Health Care Commission under the purview of the Legislative Council and provides for the membership and responsibilities. The Council is permitted to hire an employee and outside professional services as needed for the duration of the Commission's activities. The Bill directs the Commission to develop an Iowa Health Care Reform Strategic Plan and delineates topics for the Commission to consider. The Commission will submit quarterly progress reports to the Legislative Council and three additional progress reports to the General Assembly periodically in FY 2010 and FY 2011. The Bill provides a sunset date for the Commission of July 1, 2011. Division I is effective on enactment.

Assumptions

- The Council will contract for outside professional services, including an actuarial consultant. Approximately \$125,000 will be needed in FY 2010 and in FY 2011 to support the Commission's study requirements.
- The Council will employ 1.00 FTE position for an Executive Officer 3 to support the Commission's study and reporting requirements.
- The Legislative Services Agency will provide administrative support to the Commission.
- Commission meetings and reimbursement expenses will cost an estimated \$45,000 in FY 2010 and FY 2011.

Fiscal Impact of Division I: The fiscal impact of Division I is an estimated General Fund cost of \$315,300 and 1.00 FTE position for FY 2010 and \$318,000 for FY 2011.

=====

Division II adds a provision to allow full-time student residents of the State up to 25 years of age to re-enroll in previously existing dependent coverage of their parents under State-regulated insurance plans. Current law only covers continuation of existing coverage. The Division also specifies that the value of a nonqualified tax dependent's health insurance coverage is not subject to Iowa State income tax.

Assumptions

- It is estimated that the average State tax benefit of receiving health insurance to an individual is \$155 per year.
- Wellmark Blue Cross and Blue Shield of Iowa estimates that between 750 and 3,300 individuals will take advantage of this option statewide.
- An estimated cost to the State ranging between \$400,000 and \$1.8 million was included in House File 2539 (FY 2009 Health Care Reform Act) for continuing health insurance coverage for unmarried dependent children that are full-time college students up to the age of 25. By adding the re-enrollment provision it is not anticipated additional funds will be needed.

Fiscal Impact of Division II: The fiscal impact of Division II is an estimated reduction in General Fund tax revenue of \$314,000 for FY 2010 and FY 2011.

=====

Division III includes the following provisions:

- Requires the Department of Human Services to provide Medicaid or hawk-i coverage to all children under the age of 19 that meet eligibility requirements if federal participation is, or becomes, available.

- Requires the Department of Human Services to expand Medicaid coverage for pregnant women with income up to 300.0% of poverty level beginning July 1, 2009.
- Requires the Department of Human Services to implement a number of provisions to improve retention and access including, translation and interpreter services, development of consistent application and renewal process for both Medicaid and hawk-i, presumptive eligibility, continuous eligibility for children starting retroactively on July 1, 2008, and paperless verification at renewal.
- Allows the hawk-i program to implement a supplemental dental-only program to children with private coverage that would otherwise be eligible for hawk-i.
- Directs the Department of Human Services to work with the Department of Public Health to apply for federal grants to promote outreach activities.
- Requires the Department of Revenue to include a provision on the Iowa income tax form to indicate if taxpayers have uninsured children and provide notification to parents of children that would be eligible for State programs based on income levels.

Assumptions

- With the implementation of the enrollment and retention strategies in the Bill, it is estimated that 90.0% of the 27,510 eligible children will enroll in the Medicaid, Medicaid Expansion, or the hawk-i Program over the next two years, beginning July 1, 2009.
- The Department of Human Services will expand the hawk-i Program to children of families with income up to 300.0% of the Federal Poverty Level (FPL) with federal financial participation.
- Approximately 9,700 Medicaid members in FY 2010 and 10,000 Medicaid members in FY 2011 will access two hours of translation or interpreter services at \$40 per hour.
- The Department will need an additional 17 field staff to handle the increased caseload.
- Some of the renewal and retention strategies will have a cost to the Department to implement, but the Department is unable to estimate the impact.
- The Department of Revenue does not estimate it will need additional funds to make the required changes to the State income tax form.
- The State share of the Federal Medical Assistance Percentage (FMAP) is 30.36% for FY 2010 and 33.62% for FY 2011. This includes the federal FMAP adjustment from the American Recovery and Reinvestment Act of 2009.
- The State's share of the enhanced FMAP for the hawk-i Program is 25.54% for FY 2010 and 25.95% for FY 2011.

Fiscal Impact of Division III: The fiscal impact of Division III is an estimated cost to the General Fund of \$7.1 million for FY 2010 and \$21.1 million for FY 2011.

=====

Division IV adds health care provider offices to the existing list of eligible entities for the Volunteer Health Care Provider Program (VHCPP) under the Department of Public Health.

Assumption: Expanding the eligibility to health care provider offices in the VHCPP will increase the workload of the DPH staff person currently working on the program by 0.25 FTE from 0.6 FTE for FY 2010.

Fiscal Impact of Division IV: The fiscal impact of Division IV is an estimated cost to the General Fund of \$20,000 for FY 2010 and FY 2011.

=====

Division V includes the following provisions:

- Establishes the Health Care Workforce Shortage Fund that will consist of four accounts under the control of the Iowa College Student Aid Commission (ICSAC), the Department of Public Health (DPH), and the Iowa Collaborative Safety Net Provider Network. State appropriations will be split evenly among the accounts and administrative expenses are limited to no more than 5.0% of the balance of each account, to a maximum of \$100,000 per account.
- Directs the DPH to establish a Medical Residency Training State Matching Grants Program.
- Directs the ICSAC to establish a Health Care Professional Incentive Payment Program with assistance from the Des Moines University Osteopathic Medical Center. The Commission is also directed to establish a Nurse Educator Incentive Payment Program and a Nurse Faculty Fellowship Program.
- Directs the Governing Group of the Iowa Collaborative Safety Net Provider Network to establish a Safety Net Provider Incentive Payment Program.
- Directs the DPH to collaborate with the Department of Workforce Development and other health care stakeholders to apply for federal money allocated in the federal American Recovery and Reinvestment Act (ARRA) of 2009 for health care workforce initiatives.
- Directs the DPH, in collaboration with the ICSAC, to establish a Physician Assistant Mental Health Fellowship Program.
- The Programs in Division V will sunset unless otherwise directed by the Legislature on July 1, 2014.
- Division V is to be implemented only to the extent that funding is available.

Assumptions

- The Bill does not provide for a State appropriation for funding the Health Care Workforce Shortage Fund. However, the Bill permits federal funding, private gifts and grants, State General Fund appropriations, and other public revenue to be deposited into the Fund as it becomes available.
- The DPH will employ 1.00 FTE position for a Community Health Consultant to administer the Medical Residency Training Program and the Physician Assistant Mental Health Fellowship Program and assist ICSAC and the Governing Group with the Administrative Rule making process.
- The ICSAC will employ 1.00 FTE position to develop and administer the Health Care Professional and Nurse Educator Incentive Payment Programs and the Nurse Educator Fellowship Program and subsequent accounts.
- The Governing Group will utilize existing State appropriations received annually via the Health and Human Resources Appropriations Act to implement and administer the Safety Net Providers Recruitment and Retention Initiatives.

Fiscal Impact of Division V: The fiscal impact of Division V is an estimated General Fund cost of \$177,000 for FY 2010 and FY 2011.

=====

Division VI requires the health profession boards under the Department of Public Health to report to the General Assembly by January 15, 2010, any sanctions levied by a Board against a health care professional for receiving gifts in a non-compliant manner.

Fiscal Impact of Division VI: This is no fiscal impact to the General Fund for Division VI for FY 2010 and FY 2011. The cost of reporting is assumed by the boards under DPH that generate revenue for administrative costs via fees charged for services.

=====

Division VII directs the DPH to develop a memorandum of understanding (MOU) to utilize the Iowa Hospital Association to act as the Department's intermediary in collecting, maintaining, and disseminating specified information.

Fiscal Impact of Division VII: There is no fiscal impact to the General Fund for Division VII for FY 2010 and FY 2011. The DPH is currently finalizing a contract and MOU with the Iowa Hospital Association to provide the services required in the Bill.

Sources

Department of Human Services
Department of Public Health
Iowa Insurance Division
Iowa College Student Aid Commission
Department of Administrative Services
Department of Revenue
Wellmark Blue Cross and Blue Shield of Iowa
Legislative Services Agency analysis

/s/ Holly M. Lyons

April 21, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
